

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6797

BILL NUMBER: SB 228

NOTE PREPARED: Jan 1, 2008

BILL AMENDED:

SUBJECT: Qualified Zone Business Contract Goals.

FIRST AUTHOR: Sen. Jackman

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill requires the Indiana Gaming Commission (Commission) to establish annual goals for: (1) riverboat gambling operations; and (2) slot machine gambling operations at racetracks; concerning contracts for goods and services with qualified zone businesses. The bill provides that the goals apply to contracts awarded after December 31, 2007. It also provides that in establishing the goals for qualified zone businesses, the Commission may not impair any rights or obligations under a contract in existence on January 1, 2008. The bill requires the board of the Indiana Economic Development Corporation to: (1) establish a list of qualified zone businesses; and (2) update and transmit the list to the Commission at least annually. It also requires the Commission to provide the list to: (1) riverboat operating agents and owners; and (2) holders of permits for slot machine gambling operations at racetracks; for use in complying with the goals for contracts with qualified zone businesses established by the Commission.

Effective Date: January 1, 2008 (retroactive).

Explanation of State Expenditures: *Summary* - The bill would result in a marginal increase in administrative responsibility for the Indiana Gaming Commission (IGC). This bill would establish purchasing goals for riverboat casino and racetrack casino purchases of goods and services from certain Enterprise Zone and federal HUBZone businesses. Currently, the IGC administers a purchasing goals program relating minority and women's businesses selling goods and services to the riverboat casinos and racetrack casinos. This could potentially lead to a minimal increase in administrative cost for the IGC relating to the purchasing goals program.

The bill should not result in any increase in administrative cost for the Indiana Economic Development Corporation (IEDC) which must compile a list of Enterprise Zone and HUBZone businesses qualified for

the purchasing goals program proposed in the bill.

Background Information - The bill provides for riverboat casinos and racetrack casinos to establish purchasing goals for “qualified zone businesses” as defined under the bill. The bill requires the Indiana Gaming Commission (IGC) to establish and enforce the purchasing goals relating to qualified zone businesses no later than May 1, 2008. The bill provides that the purchasing goals apply to contracts for goods and services awarded after December 31, 2007. The IGC could suspend, limit, or revoke riverboat casino or racetrack casino licenses if it determines that the license holder is not complying with the requirements of the purchasing goals program.

Currently, the IGC administers and enforces a purchasing goals program for purchases of goods and services by riverboat casinos and racetrack casinos from minority and women's business concerns. The purchasing goals program for qualified zone businesses is likely to apply to a limited number of businesses. In addition, the list of qualified zone businesses would be assembled by the Indiana Economic Development Corporation (IEDC) for the IGC. Consequently, the additional administrative cost to the IGC from this bill should be minimal. However, any additional expenses would be paid from Riverboat Wagering Tax revenue annually appropriated to IGC for administrative purposes. (Note: Current statute provides that sufficient funds are annually appropriated to the IGC from Riverboat Wagering Tax revenue deposited in the State Gaming Fund to administer the riverboat gambling laws.) In FY 2007, this distribution totaled about \$2.5 M.

A “qualified zone business” must meet either conditions (1) and (3) or conditions (2) and (3) described below.

(1) The business has accessed one of the following Enterprise Zone (EZ) incentives: the EZ Inventory Credit; the EZ Investment Deduction; the EZ Loan Interest Credit; the EZ Investment Cost Credit; or the EZ Employment Expense Credit.

(2) The business is a qualified HUBZone small business with its principal office located in a HUBZone under the federal HUBZone Program.

(3) The business is located in a county where the average annualized unemployment rate in each of the two calendar years immediately preceding the current calendar year exceeded the statewide average annualized unemployment rate in each year by 1.5 percentage points.

Only four counties would meet the unemployment rate requirement in 2008, based on the average annual unemployment rate for 2006 and for 2007 (through November). The counties are Crawford, Fayette Grant, and Lawrence. Three of these counties contain Enterprise Zones (Connersville in Fayette County, Marion in Grant, and Bedford and Mitchell in Lawrence County). All four counties are HUBZone counties under the federal program. It is important to note that the number of counties with Enterprise Zones or federal HUBZones and meeting the unemployment requirement could change annually.

The bill requires the IEDC to establish a list of qualified zone businesses by May 1, 2008, to update the list at least once annually, and transmit the list to the IGC. Businesses receiving EZ incentives during a calendar year must report incentive and other information to the IEDC. In addition, the U. S. Small Business Administration publishes on its internet website up to date maps of HUBZones in each state and a list of certified HUBZone businesses in each state. Thus, the IEDC would have easy access to the information required to establish the list of qualified zone businesses.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Gaming Commission, Indiana Economic Development Corporation.

Local Agencies Affected:

Information Sources: U. S. Small Business Administration, <http://eweb1.sba.gov/hubzone>, STATS Indiana, Resident Labor Force Estimates, <http://www.stats.indiana.edu/>.

Fiscal Analyst: Jim Landers, 317-232-9869.